

11.10.00.00 - PROPERTY MAINTENANCE AND REHABILITATION

11.10.01.00 General

All property shall be maintained in a safe and hazard-free condition. Nonresidential property repairs shall be limited to major items such as roofs, structural weaknesses, main sewer lines, electrical deficiencies, and water service pipes to fixtures. Residential rental properties will be maintained in a manner that reflects credit on the state and enhances local community values. Certain repairs must be performed on residential property to derive appropriate rental income, improve community relations, and conform to existing laws and ordinances.

As a general rule, the tenant shall be required to provide normal yard care (watering, mowing, weeding, and trash and junk removal). Tenant's failure to provide such care is a justifiable reason for terminating tenancy.

Under Health and Safety Code Sections 17980.6, 17980.7, and 17980.8, the state has a specific legal obligation to keep the premises in a condition fit for human occupancy. If necessary repairs require the tenant to relocate, the state must pay reasonable relocation costs. See R/W Manual Section 10.10.00.00 and contact District RAP Unit for assistance.

Displaced tenants must be given written notice of the first right to reoccupy the property after it is rehabilitated.

The state is also responsible for reasonable and actual costs to the enforcement agency that issued the citation, including the agency's cost to abate the nuisance if the state does not do so in compliance with the citation and applicable code sections.

11.10.02.00 Asbestos and Lead Paint

Removal, disposal, or disturbance of asbestos and lead-based paint in conjunction with maintenance of property shall be in compliance with all state and federal requirements. If Property Management suspects the presence of such materials, it shall obtain surveys prior to starting any maintenance that would disturb the materials. Regarding lead-based paint, special attention should be given to residential properties constructed prior to 1978 since lead-based paint was widely used prior to that time. Standard property maintenance contract clauses specify how the contractor should deal with these materials.

11.10.03.00 Maintenance Expenditure Guidelines

11.10.03.01 Unrented State-Owned Property

All unrented state-owned properties shall be maintained in a manner that will reflect credit on the state and preserve local community values. In essence, this means that all state-owned properties shall be maintained as well as or better than other properties in the neighborhood.

11.10.03.02 Rented State-Owned Property

Maintenance expenditures by the state shall be governed as follows:

- **Commercial or Industrial Lease (RW 11-2)** - Major repairs only shall be made to the roof, main sewer lines, and water service pipes to fixtures. Tenants shall do all interior work at their own expense. Deviation from this policy will be allowed only when it would be in the state's best interest with the DD's or authorized delegate's approval prior to start of work.
- **Master Tenancy Agreement** - For "Master Tenant Controlled Units," the state shall make no improvements or repairs of any nature whatsoever. Deviation from this policy will be allowed only when it would be in the state's best interest with the DD's or authorized delegate's approval prior to start of work.
- **Agricultural Lease (RW 11-3)** - The state shall make no improvements or repairs of any nature whatsoever. Deviation from this policy will be allowed only when it would be in the state's best interest with the DD's or authorized delegate's approval prior to start of work.
- **Advertising Structure Agreement (RW 11-4)** - The state will make no repairs and perform no maintenance whatsoever on the advertising structure.
- **Rental Agreement, Month-to-Month Tenancy (RW 11-1)** - Maintenance expenditures will be governed by exercising judgment at the region/district level that is commensurate with good business practices and within the limits set forth in this chapter of the R/W Manual. Some of the more common maintenance and repair services the state should provide include, but should not be limited to, exterior and interior painting, yard maintenance, and repair or replacement of plumbing, electrical facilities, roofs, windows, heaters, and built-in appliances.

11.10.04.00 Health and Safety Requirements

All state property shall be maintained in a clean and orderly condition so as not to detract from the general appearance of the neighborhood. If this condition is not met, the Agent shall investigate further and implement one or more of the following corrective measures to improve the property's appearance:

- Perform weed abatement.
- Remove dead and diseased trees.
- Remove litter and post proper signs.
- Eliminate or reduce safety hazards; e.g., by filling or capping wells; filling holes, caves, and ponds; and erecting barricades where necessary.
- Remove attractive nuisances such as abandoned cars, refrigerators, and freezers.
- Post proper signs to reduce trespassing such as illegal parking or storage.

If the property is tenant-occupied and its appearance does not meet neighborhood standards, the Agent shall immediately notify the tenant verbally and in writing that the unsuitable conditions must be corrected (see Exhibit 11-EX-8).

When it is necessary to clear noxious weeds or diseased trees or to correct an unsafe or unsanitary condition, Property Management may enter into a service contract with a local municipality or private contractor for performance of the necessary work. Refer to the Service Contracts Manual for additional information on service contracts.

11.10.05.00 **Exterior and Interior Appearance of Improved Properties**

Agents must thoroughly inspect all vacant or occupied properties to ensure the properties are being maintained properly to preserve the neighborhood's appearance. In particular, Agents shall observe conditions outlined in the table below entitled "Inspection of Improved Properties." Whenever adverse conditions are found, the Agent shall investigate and take appropriate corrective action.

INSPECTION OF IMPROVED PROPERTIES	
Occupancy	Areas of Concern
Tenant-Occupied Property Exterior	<ul style="list-style-type: none">• Yard areas should be properly watered, mowed, and weeded and should generally reflect a clean and orderly condition.• There should be no broken windowpanes or boarded-up windows.• Painted surfaces shall not be peeling or greatly discolored, and the stucco, wood, or concrete block should not be deteriorating.• The roof should not be segregating, sagging, or leaking.• There should be no structural deficiencies such as broken stairs, ceilings, garage doors, or fences.• Swimming pools should be properly maintained.• Window and door screens should look presentable.• TV antennas should be erect and securely fastened.
Tenant-Occupied Property Interior	<ul style="list-style-type: none">• All interior areas shall be maintained in a clean and orderly fashion so that full compliance with health and safety codes is evident.• There should be no broken electrical or plumbing fixtures or damaged appliances.• The walls and ceilings should not be damaged and the paint, wallpaper, or paneling should not be noticeably deteriorating.• Floors, floor coverings, doors, cabinets, custom drapes, venetian blinds, heaters, and air conditioners should not be damaged or allowed to noticeably deteriorate.
Unoccupied Property That Will be Re-Rented	All the physical conditions outlined above under "Tenant-Occupied Property - Exterior" and "Tenant-Occupied Property - Interior."
Unoccupied Property That Will Not Be Re-Rented	<p>All the physical conditions outlined above under "Tenant-Occupied Property - Exterior" that are pertinent to preserving neighborhood appearance and values.</p> <p>The Agent should continue to inspect and supervise maintenance of the property until the Clearance and Demolition Unit assumes responsibility for clearance of improvements. Following clearance, Property Management is still responsible for inspection and maintenance of the unimproved property until it is turned over to Construction or sold as excess.</p> <p>If there is a known vandalism problem in the neighborhood, it may be advisable to board up the improvements if such action does not demote the general neighborhood appearance, does not create unfavorable public opinion, and has proven to deter vandalism.</p>

11.10.06.00 **Field Inspections**

Since nearly all state-owned property purchased for future highway use or related purposes is acquired considerably in advance of scheduled clearance requirements, sound management practices dictate that the state perform some replacement, rehabilitation, and maintenance to meet acceptable neighborhood standards. Consequently, field inspections by state personnel provide the method to achieve and maintain a desirable community relationship. All Property Management Agents shall be responsible for periodically inspecting and documenting every rental account under their control.

DOCUMENTING INSPECTIONS		
Type of Property	Form	Explanation
Residential	RW 11-15, Residential Property Inspection	A checklist for interior and exterior inspections that is used for viewing the property and recording observations about its condition. All blanks are to be filled in and comments are to be made when deficiencies are noted. Tenants' comments and concerns are to be solicited and noted on the back of the form. Copies of the inspection forms are to be signed by the supervisor and maintained in the file. A log shall be kept of the inspections noting all deficiencies and shall be used to document correction of deficiencies of residential properties.
Nonresidential	RW 11-16, Maintenance Inspection Check Sheet	Used to document inspections of rental properties on a periodic basis as part of the state's maintenance control program and to record pertinent observations about the exterior and interior appearances of the properties. In addition to observations, the Agent shall record the rental account number, address of the property inspected, date of inspection, possible recommended maintenance, and date work completed. These check sheets shall be filed in a master binder, one for each Agent, numerically by rental account number. Each master binder shall be filed in the district's Property Management office so it will be readily available for the Property Manager or other interested parties to review.

Required frequency of field inspections is indicated below.

- **Agent** - Field inspections of all properties shall be made at least annually to ensure the properties are maintained as well as or better than other properties in the neighborhood.
- **Property Manager** - Field inspections or reviews by the Property Manager or authorized representative shall be performed at least annually to ensure the rental properties are maintained as well as or better than other properties in the neighborhood. The Property Manager shall document inspections with any necessary comments on the inspection form.

11.10.07.00 **Rodent and Pest Control**

Property maintenance inspections shall include a determination on whether rodent and pest control is necessary and shall be documented on:

- RW 11-15, Residential Property Inspection.
- RW 11-8, Residential Property Occupancy and Vacancy Inspections.
- RW 11-16, Non-Residential Maintenance - Inspection Check Sheet.

Local health authorities or other qualified persons may make the inspections. Rodent and pest control measures shall be documented in the file.

If it is determined that extermination services are needed, assistance may be obtained from local health authorities or from licensed exterminators.

Contracts for exterminator services are subject to approval by Headquarters Maintenance to assure that no unauthorized chemicals are used on state property. (See Service Contracts Manual for further details.)

Property Management will prepare a Receiving Record when bills/invoices are received from the contractor and forward to Accounting for payment.

11.10.08.00 **Smoke Detection Devices**

Property Management is responsible for having approved smoke detectors installed in every occupied residential unit in accordance with Health and Safety Code, Section 13113.7 and Section 13113.8.

11.10.08.01 **Installation and Type of Detector**

All smoke detectors:

- Will be of the ionization type. According to the Fire Marshal's Office, the photoelectric type requires more maintenance.
- Will be hard-wired (110-120 volts AC).
- Must be of a type approved and listed by the State Fire Marshal. A monthly updated list is available at all State Fire Marshal offices.
- Must be installed in accordance with manufacturer's instructions, State Fire Marshal regulations, and applicable local codes and ordinances.
- Must be installed by a properly licensed person or company. The installer must obtain the required permits and have the work inspected by the proper local authority.
- Will be inspected by the Agent or a qualified contractor at least annually to ensure proper operation. Any needed repairs or maintenance shall be performed by a qualified person.

To ensure access to the rental unit, written notice will be given to the tenant at least 24 hours prior to installation and inspection.

All present rental agreements will contain or be amended to contain the Smoke Detection Clause when installation is completed.

11.10.08.02 **Battery-Operated Smoke Devices**

A battery-operated smoke detector may be substituted for a hard-wired detector where:

- A rental unit has six months or less left before it is permanently vacated, or
- The rental unit is located in a remote area, especially if the source of electric power is a generator or is subject to frequent outages.

All batteries must be changed annually at the time of the annual field inspection. The Agent should note the date the battery was changed on the Residential Property Inspection Form, RW 11-15. The above exceptions must be permitted by code or law and, when possible, the installation must be done by a properly licensed person or company that obtained the required permits and had the work inspected by the proper local authority.

11.10.09.00 **Rehabilitation of Residential Property**

The Department's policy is to upgrade and maintain housing at standards that meet the most recent edition of the Uniform Housing Code of the International Conference of Building Officials. Rehabilitation standards shall include safety and energy saving devices such as smoke detectors, ceiling insulation, and weather stripping. This rehabilitation policy shall apply to residential rental property on routes where construction is not imminent.

11.10.09.01 **Inspections**

The first step in the rehabilitation process is a code inspection to determine whether housing units are in compliance with the Uniform Housing Code. Inspections may be performed by qualified district personnel or under contract with local building inspectors. Each inspection will be documented in writing with a clear description of the property's condition and recommendations for work required to bring the property up to code.

Qualified district personnel or local building inspectors should also be used to monitor the contractor's work while it is being done and upon completion.

11.10.09.02 **Specifications and Estimates**

Qualified district personnel or licensed contractors shall prepare a description of work with specifications and cost estimates. Certain restrictions may prohibit a contractor who is hired as a consultant from bidding on a subsequent contract that he/she recommended, suggested, required, etc., in the consulting contract. When requesting a consulting service contract, inform DPAC of any follow-up contract that will be based on the recommendations or other end product of the consulting contract. (Note that general information gathering on commonly accepted industry practices is allowed. See Section 11.10.11.00.)

11.10.09.03 **Public Works Contracts**

Depending on scope of work, a project may require a public works contract. A public works contract is "an agreement for the erection, construction, alteration, repair, or improvement of any public structure, building, road, or other public improvement of any kind." The type of work it covers is explained in Chapter 9 of the Caltrans Service Contracts Manual. As defined in Section 9.1.1 of the Service Contracts Manual, whole roof replacements, initial (first time) painting, replacement of heating/air conditioning systems, parking lot resurfacing, sidewalk repair, etc., are covered by public works contracts. Contact an analyst in the Division of Procurement and Contracts (DPAC) for more information if you are not sure what type of contract would be appropriate for your project. (Also, see Section 11.10.11.00 for a description of service contracts.)

Prior to requesting a public works contract, Property Management shall prepare a package for approval by the DDC. The package should include the following information:

- Description of work.
- Plans and specifications.
- Written estimate of cost.
- Economic justification. At a minimum, the economic justification should contain estimates of the property's value in its present condition and its value after rehabilitation.
- Reasons why the work is necessary.
- Verification that funds are available.
- Status of the project for which the property was acquired, e.g., being held for construction or being considered for rescission with dates.

11.10.09.04 **Public Works Contracts Under State Contract Act**

Public Works projects that exceed a certain total cost as determined by the Department of Finance are subject to the State Contract Act (Public Contract Code 10100, et seq.) and will be handled as major contracts. The Department of Finance adjusts this cost limit every two years. Contact DPAC to find out whether your project will fall under the State Contract Act. Requests for contracts subject to the State Contract Act should be submitted to DPAC, who will determine if they or another office should process the request. Occasionally, Department of General Services might be involved, but DPAC will determine when this is necessary.

The package described in Section 11.10.09.03 and specifically the plans, specifications, and written estimate of cost must be approved by the DD or authorized delegate prior to requesting a contract that is covered under the State Contract Act.

11.10.09.05 **Occupied Housing**

Rehabilitation of occupied housing should be done only under the following circumstances:

- For minor interior work.
- With the tenant's prior consent.
- After an asbestos survey indicates there are no health and safety concerns due to the presence of asbestos.

If health and safety factors are involved or if extensive interior rehabilitation is needed, temporary or permanent relocation of tenants to other accommodations, preferably to other state rental property, should be considered. Government Code Section 7265.3 permits the Department to provide specified types of relocation assistance to persons who move as a result of rehabilitation of a dwelling. Property Management should contact the District RAP Unit for assistance.

11.10.10.00 **Rehabilitation and Maintenance on Historic Structures**

Public Resources Code Section 5024 requires all state agencies to inventory all agency-owned structures over 50 years old to identify and protect those that are historic. Property Management is responsible to ensure that all structures subject to provisions of Section 5024 are adequately and appropriately maintained.

All maintenance and rehabilitation work on Department-owned historic structures shall be performed in a manner to protect and preserve the characteristics that qualified the structures for listing. Plans and specifications for maintenance and rehabilitation activities shall be submitted to the District Environmental Branch for processing to the State Historic Preservation Officer (SHPO) for review and approval prior to undertaking any such work. The District Environmental Branch shall submit these plans and specifications to the Chief, Architectural and Historic Studies Section, Headquarters Environmental Analysis, for processing to SHPO.

11.10.11.00 **Maintenance Performed by Service Contract**

It is important to distinguish between work that can be done under a service contract and work that requires a public works contract (Section 11.10.09.03). Legal has determined that minor on-call repair and maintenance services (required on an as-needed basis to provide a practical means of maintaining state-owned rental housing or state facilities in a safe and habitable condition) are not defined as public works, and may be obtained using service contracts. Such services include electrical, plumbing, minor carpentry to replace broken stairs or windows, repainting, heating and air conditioning repairs, roof repair, etc. The specific repairs do not lend themselves to the preparation of plans and specifications, nor is it known at the time the contract is advertised and awarded when the services will be performed. Contact an analyst in the Division of Procurement and Contracts (DPAC) for more information if you are not sure what type of contract would be appropriate for your needs.

DPAC prepares and processes all service contracts upon receipt of a completed Service Contract Request (Form ADM-0360) from R/W. Except for emergency work, all maintenance contracts are subject to competitive bidding. Since considerable time is required to prepare, advertise and award the contract, it is recommended that the completed ADM-0360 be sent well in advance of the date the services will be needed. Contact DPAC for more information on the length of time required to process a service contract.

General information gathering from companies regarding common industry practices, rate structures, general costs, billing methods, etc., in order to create a scope of work is acceptable. However, care should be given to not put words in a company representative's mouth, and then turn around and use these in the preparation of a scope of work, or to give a representative privileged information (and not make it available to all potential bidders) which could then be used by that company when it tenders a bid on the contract. It is neither legal nor ethical to tailor a scope of work or contract to a specific party. Any contact with a company representative requesting information on cost estimates, billing methods, etc., offers the possibility that the company or other bidder may at some point in the future protest a decision not in their favor.

It is recommended that if a company representative is contacted for the purpose of learning what the commonly accepted standards or practices in that industry are, the representative is advised that 1) the Department is soliciting publicly available (i.e., not proprietary) information to prepare a statement of work on a potential contract, and 2) the representative, by providing such information, will not preclude the company from bidding on future contracts. It is also recommended that more than one company be contacted for this information. (Note that certain restrictions may apply if a contractor is hired under a consulting service contract. See Section 11.10.09.02.)

Property maintenance contractors can be obtained using the types of contracts and methods described below.

11.10.11.01 Inspections

Inspections for work requested and work in progress or completed should be accomplished in accordance with the guidelines in the following table entitled "Inspection Guidelines for Service Contracts." When work is completed by the contractor, an Agent, other than the person ordering the work, should inspect the work according to the table.

INSPECTION GUIDELINES FOR SERVICE CONTRACTS			
(These guidelines also apply to services obtained with CAL-Card, the Non-Credit Card Process, or other methods discussed elsewhere in this section. However, rental offsets will require on-site inspection of all jobs regardless of size.)			
Size of Job	Estimated Cost	Examples	Type of Inspection
Small repairs	Less than \$500	<ul style="list-style-type: none">– Change a faucet– Mow a lawn– Fix a window	Confirmation with tenant by phone that the job has been completed adequately. Managers should order random inspections to assure small repairs are done satisfactorily.
Medium repairs	Less than \$1,000	<ul style="list-style-type: none">– Paint partially– Install flooring– Repair cabinet– Repair roof	An Agent shall inspect the work before and after the job is done.
Large repairs	Over \$1,000	<ul style="list-style-type: none">– Repaint entire interior or exterior of house– Install new flooring and carpeting– Repair roof	An Agent other than the Agent assigned shall inspect work before, during, and after the job is done. It may not be possible to detect bad workmanship after the job has been completed when much of the work is no longer visible. Where certain stages of work require inspection before the next stage commences, the contract must state this condition of approval and payment upon full inspection. Payment to the contractor cannot be made until the work has been inspected and completed satisfactorily.

11.10.11.02 **Requesting Work**

If maintenance work is required, the Agent shall enter a full description of the job, including cost estimate, on the RWPS Maintenance Request Screen and submit it to the Property Manager or authorized person for approval.

Upon approval of the request, the Agent shall file a hard copy of the Maintenance Request Screen in the rental folder.

11.10.11.03 **Multi-provider and Single Provider Service Contracts**

Contracts can be written for on-call services over the period of the contract or for a single, specific job. An on-call service contract can have multi-providers or a single provider. A contract for a single, specific job will only have a single provider. Individual task orders or work authorizations under a multi-provider, on-call contract cannot exceed \$4,999.99. If work will exceed that amount, a separate contract must be advertised. However, there is no limit to an individual task order or work authorization for single provider contracts. When a contractor's bill is received on a multi-provider or single provider contract, the Agent shall update the Maintenance Request Screen itemizing the work done and indicating the appropriate charges. Where services are provided on an hourly rate basis, the contractor shall submit a copy of the Contractor's Time Reporting Sheet (RW 11-23) with the employee's information, classification, and hours reported. This form will be attached to the final invoice to process payment. Two copies of the Maintenance Request Screen must be submitted to Accounting for payment in accordance with Section 11.10.11.06.

11.10.11.04 **CAL-Card Small Purchase Program**

Through the DGS CAL-Card Small Purchase Program, Department authorizes cardholders to make approved small purchases of goods and services with VISA bankcards. The normal card limits are \$5,000 per transaction and \$50,000 per month, although higher limits may be approved for a cardholder on a case-by-case basis. However, cardholders must comply with all existing procurement and contract statutes, laws, rules, accounting guidelines, regulations, policies, and procedures. See the Department CAL-Card Handbook for limitations and detailed instructions, available on the DPAC Intranet. Information on general liability insurance requirements, Worker's Compensation, and verification of Trades Contractor License is also explained in the CAL-Card Handbook.

Property Management uses the CAL-Card primarily for procurement of services, and such usage must be in compliance with the Public Contract Code. Therefore, the CAL-Card limits for services are \$4,999.99 per transaction and \$24,999.99 per year cumulatively for the same type of service with the same vendor. Although bids are not required, it is recommended that more than one contractor (preferably three) be contacted in order to find the best value.

When using the CAL-Card for property maintenance, it is very important to distinguish between procurement of merchandise and procurement of services, particularly if the procurement is a combination of parts and labor. If labor exceeds 50% of the total cost, the procurement is considered a service. If, on the other hand, parts are 50% or more of the total cost, the procurement is considered merchandise.

Prior to procuring maintenance services using CAL-Card, the Agent shall complete an Original Purchase Request (ADM 1415) and submit it for budgetary control and approval to the Senior in charge of R/W Property Management. The completed Purchase Request is submitted to the CAL-Card cardholder so charges can be made and services obtained. The cardholder retains a copy of the Purchase Request, credit card receipt, and any other backup documentation for verification and post audit by Department or DGS. To process payment under CAL-Card, a complete package must be received in Accounting by the 8th of each month. The package consists of:

- Original Purchase Request Form (ADM 1415)
- Original Charge Slip and/or Sales Invoice
- Original VISA dispute form entitled "Cardholder Statement of Questioned Item," Form CSQI-RO494, if necessary.
- Original Cardholder Statement of Account (SOA) signed on the back by the Cardholder and approving official.
- Original STD. 204, Payee Data Record (unless already on file)
- Drug-free Workplace Certification, STD. 21 form (unless already on file)
- Two copies of the Maintenance Request Screen. (Accounting will return one copy with schedule information.)

11.10.11.05 **Non-Credit Card Process**

The non-credit card process applies to those maintenance services acquired up to a maximum of \$4,999.99 for a single transaction and \$24,999.99 per year cumulatively for the same type of service with the same vendor, where the CAL-Card is not accepted or where employees do not have access to a credit card. This method is also explained in the CAL-Card Handbook. The Handbook also explains general liability insurance and Worker's Compensation requirements, and verification of Trades Contractor License. Although bids are not required, it is recommended that more than one contractor (preferably three) be contacted in order to find the best value.

The following package must be submitted to Accounting to pay the contractor's invoice:

- Original completed Purchase Request (ADM 1415)
- Original Invoice
- Original Receiving Record (FA-1226A) or two copies of the Maintenance Request Screen
- Original STD. 204, Payee Data Record (unless already on file)
- Drug-free Workplace Certification, STD. 21 form (unless already on file)

11.10.11.06 **Submitting for Payment**

Maintenance Requests, Contracts, Cash Expenditure Vouchers, Draft Purchase Orders, Statements of Account, Purchase Requests, and other coded documents must be properly coded (Object 7058) so Accounting can accurately charge the property maintenance expenditures to the appropriate project EA. Upon completion of any of these documents, Property Management will sign, date, and forward the document to Accounting for processing.

On rare occasions, the Division of Maintenance will perform work on a rental account and will complete the appropriate document, in which case Maintenance shall contact Property Management for proper coding information. Maintenance shall forward the document to Property Management for review to ensure proper coding.

To keep track of Maintenance Requests and other documents sent to Accounting for processing, an Agent or inspector shall enter the maintenance data into RWPS in a timely manner and file a copy of the document in a separate file or binder. If for any reason Accounting fails to return a copy of the Maintenance Request or other document to Property Management within two weeks, the Property Manager must follow up with Accounting to determine the cause of the delay.

After Accounting processes the Maintenance Request or other coded document, the reviewer shall use a copy of the Maintenance Request, TRAMS Multipurpose Posting Tag, or other document showing the coding information to ensure the coding provided to Accounting was not changed during processing. The Accounting information should be entered on the Maintenance Request Screen and then filed.

Government Code, Sections 927-927.12 is known as the Prompt Payment Act (Act). The intent of the Act is to have state agencies pay properly submitted, undisputed invoices within 45 days of receipt, or automatically calculate and pay the appropriate late payment penalties as specified in the Act. To avoid late payment penalties, the state agency has 30 calendar days to submit a correct claim schedule to the Controller, and not more than 15 calendar days for the Controller to issue the warrant. If the state agency does not submit the claim schedule to the Controller within 30 days, the state agency will be responsible for the late payment penalties. If the state agency submits the claim schedule to the Controller within 30 days and the Controller does not issue a warrant within 15 days, the Controller is responsible for the late payment penalties.

11.10.11.07 **Summary of Various Contract Processes**

A brief summary of the various contract processes discussed above is included in Exhibit 11-EX-10.

11.10.12.00 **Draft Purchase Order (DPO)**

Draft Purchase Orders (Form DAS OBM-1024) may be used for minor purchases of supplies and materials needed for maintenance of state-owned properties. Generally, the state's tenant or state personnel will use or install the items purchased.

A DPO may be used subject to the following limitations:

- To pay for goods or services not to exceed \$200 (including tax and freight). This limit can be increased to \$500 under special circumstances. Consult with Accounting for details.
- Transaction must be "face-to-face" (do not mail).

A DPO shall **NOT** be used when any of the following conditions apply:

- In other than "face-to-face" transactions.
- To purchase items available in either Department warehouses or DGS warehouses.
- To purchase items covered by existing contracts.
- To purchase items costing less than \$5, except in rare emergency situations.
- To pay for future services, such as advance rent.
- To circumvent proper service contract procedures, such as splitting purchases of service.
- To pay for items in violation of current departmental directives, such as eye examinations when safety glasses are required.

Maintenance personnel may use a DPO, subject to the above limitations, to purchase materials needed to repair employee housing. The Maintenance Superintendent for each territory should have access to the draft forms. Upon completion of repairs, Maintenance will contact Property Management for proper coding information and send the DPO to Property Management to review coding. Property Management will place a copy of the DPO in the proper account file and forward the document to Accounting for processing.

To track DPOs sent to Accounting for processing, the Property Manager shall maintain either a log of such documents in process or a copy of the document in a separate file or binder. If Accounting fails to return the DPO or other document to Property Management within two weeks, the Property Manager must follow up with Accounting to determine the cause of the delay.

11.10.13.00 **Cash Expenditure Voucher (CEV)**

The CEV, Form FA-0202, may be used for “after-the-fact” reimbursement for purchase of supplies or materials needed to maintain state-owned properties. Property Management personnel should use the CEV when they are in the field and discover a maintenance problem that requires immediate attention.

Material needed for repairs can be purchased with employees’ own funds (up to a limit of \$50 including tax) for which they will be reimbursed by check by presenting a CEV to Accounting. The CEV should be filled out in triplicate and given to Accounting along with applicable receipts.

The CEV may also be used to expedite repairs for employee housing by requesting Maintenance employees to purchase the materials necessary for repairs with their own funds and to submit a CEV to Property Management for processing through Accounting.

11.10.14.00 **Petty Cash**

For emergency out-of-pocket maintenance expenses under \$50, the district custodian of petty cash will reimburse the employee upon presentation of a paid receipt.

11.10.15.00 **Emergency Repairs**

When the Agent determines that an emergency condition exists, the pre-inspection may be dispensed with in the interest of expediting emergency repairs. The Agent shall take whatever steps necessary to have the corrective work performed as soon as possible.

11.10.16.00 **Rental Offsets**

Occasionally, rental offsets may be appropriate for certain repairs or maintenance. However, such offsets should only be used as an exception and not routinely. There are other alternatives to using a rental offset that are discussed elsewhere in this section (e.g., service contracts, CAL-Card, non-credit card process, etc.) and those should be considered first. Work done by rental offset should not be in conflict with existing maintenance contracts.

Rental offsets should be limited to minor repairs and maintenance, or emergency repairs for health and safety reasons. Examples of situations where offsets are not appropriate include remodeling a kitchen/bathroom, re-roofing, installing new flooring and carpeting, painting the entire house, and other major repairs or rehabilitation. Also inappropriate for rental offsets would be any work that may involve contact with hazardous materials.

The Department does not pay the tenant for their labor or for purchase of tools. The tenant will only be reimbursed for materials.

Generally, a tenant cannot hire a contractor to do the work and receive an offset. This violates our contracting policy. However, on occasion, a tenant may need to hire a licensed contractor for emergency repair. Any contractor performing a job in which the total cost of the project, including labor and materials, is \$500 or more, must be licensed by the Contractors State License Board in the specialty for which he or she is contracting. Even if work is less than \$500, a licensed contractor should be used for any electrical, gas, plumbing, or other work that must be done according to code.

Rental offsets of \$1,000 or less may be approved by the Property Manager (Senior). Rental offsets more than \$1,000 must be approved by the Property Management Supervising R/W Agent or above. The reason for using a rental offset must be documented in the file. Rental offsets are subtracted from the region/district's 058 Account for property maintenance, so sufficient funding should be available before using a rental offset.

The general procedures below apply when a rental offset is used to provide maintenance for new or existing residential tenants.

When a need for minor maintenance work is indicated, the Agent shall inspect the property and complete a cost estimate. The Agent will determine the amount of the rental offset based on prevailing prices in the area and local rental management practices. The Agent shall prepare the appropriate document as follows:

- **New Tenants** - Insert completed clause into rental agreement and obtain prospective tenant's signature(s).
- **Existing Tenants** - Prepare letter of understanding and obtain tenant's signature(s).

The Agent shall submit the signed document, along with the maintenance cost estimate and the reason a rental offset is being used, to the person authorized to approve such expenditures. Before any work commences, the Property Manager (Senior) or Supervising R/W Agent shall approve the amount of the allowance. Upon approval, the Agent shall file the document in the rental folder, log the proposed work, and inform the tenant to proceed with the work.

When the tenant has completed the work, a Property Management Agent, other than the person authorized to amend the rental agreement, shall inspect the property to verify and document satisfactory completion before the tenant's account is finally credited with the amount of the rental offset. Inspection standards for maintenance work accomplished through the contract process shall also apply to work performed with offsets, except that all offset work must be inspected by the Department, no matter how small.

After inspection and acceptance of the work, the Agent shall procure from the tenant, when applicable, all pertinent and properly receipted itemized statements obtained from vendors. The Agent shall complete an RWPS Adjustment Request Screen, which results in a credit to the tenant's account and posts the amount against the 058 Property Maintenance Account. Total amount spent on offsets is shown on the RWPS Contract Screen for contract number "Offsets."

An offset shall be credited only to a tenant in occupancy of the property on which the maintenance work is performed. In other words, tenant "A" living in property "A" **cannot** receive an offset for work performed on property "B."

11.10.16.01 **New Residential Tenants**

Where property has become run-down and certain minor repairs are required to secure a new tenant, it may be appropriate to grant a rental offset by inserting a clause in the rental agreement for materials necessary to accomplish specified work.

The clause inserted in the initial rental agreement shall be written as follows:

It is understood and agreed that in consideration of a rental offset of an amount not to exceed \$_____, Tenant agrees to: (Describe Work To Be Done).

Tenant shall secure paid itemized bills covering materials used for the authorized work and forward them to the Department of Transportation at _____. Credit will only be allowed for the actual amount of the paid bills not to exceed the amount above. Tenant will be paid for materials only and will not be paid for his/her labor or for the purchase of tools. Tenant may not hire a third party contractor to perform the authorized work unless prior written permission from the Department is obtained.

It is further agreed that said work will be completed and paid bills received by the Department of Transportation prior to _____, and that the rental credit will only be granted after inspection, by the State, of the completed work.

11.10.16.02 **Existing Residential Tenants**

In some instances, sound management practices dictate granting a rental offset to the tenant to achieve a degree of efficiency and economy, as well as to expedite performance of certain emergency repairs and repairs of a minor nature. The tenant and the state shall sign a letter of understanding before the tenant performs any repair work. The letter of understanding should specify that the tenant will be paid for materials only (based on paid itemized bills) and will not be paid for his/her labor or the purchase of tools. The letter shall also state that the tenant may not hire a third party contractor to perform the authorized work unless prior written permission from the Department is obtained.

NOTES: